Financial Management Basics for School Nutrition Programs:
Know Your Numbers

Sarah Platt, RD, SNS
Maine Department of Education
Child Nutrition Programs
• Learn how to calculate:
  – Operating ratios
  – Meal Equivalents
  – Meals per labor hour
  – Meal cost
The BIG Picture

Operating Ratios: Cost/Total Revenue

- Food: 40%
- Labor: 50%
- Other: 10%
Operating Ratios

Expenses as a Percentage of Revenue:

• Food Cost % of Revenue = 35-40%
• Labor Cost % of Revenue = 50-55%
• Other Cost % of Revenue = 5-10%

breakeven = 100%
Operating Ratios

- Step 1: Determine total program revenue received for a specific time period (yearly)
Operating Ratios

- Step 2: Determine total program revenue received for a specific time period (yearly)
### Operating Ratios

- **Step 3: Total program revenue**

#### Reimbursement - Yearly Costs By District

<table>
<thead>
<tr>
<th>Activity</th>
<th>Disbursements and Expenditures</th>
<th>Income and Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Expense</td>
<td>Food</td>
</tr>
<tr>
<td>A la Carte</td>
<td>$149,256.35</td>
<td>$69,196.49</td>
</tr>
<tr>
<td>Breakfast Program</td>
<td>$190,741.32</td>
<td>$91,806.64</td>
</tr>
<tr>
<td>Cash Disbursements</td>
<td>$1,205,402.66</td>
<td>$392,921.16</td>
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<tr>
<td>Cash Receipts</td>
<td>$8,569.32</td>
<td>$6,749.71</td>
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<tr>
<td>Snack Program</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Unpaid Bills</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Voucher</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Total Reimbursement: $1,248,350.83
### Operating Ratios

- **Step 4: Program Expenses (Food/Labor/Other)**

#### Reimbursement - Yearly Costs By District

<table>
<thead>
<tr>
<th>Activity</th>
<th>Total Expense</th>
<th>Food</th>
<th>Labor</th>
<th>Equipment</th>
<th>Other</th>
<th>Total Income</th>
<th>Cash Book Balance</th>
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</thead>
<tbody>
<tr>
<td>A la Carte</td>
<td>$149,256.35</td>
<td>$69,196.49</td>
<td>$74,674.94</td>
<td>$0.00</td>
<td>$5,384.92</td>
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<tr>
<td>Breakfast Program</td>
<td>$190,741.32</td>
<td>$91,806.64</td>
<td>$95,063.21</td>
<td></td>
<td>$3,871.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Disbursements</td>
<td>$1,205,402.66</td>
<td>$392,921.16</td>
<td>$680,858.06</td>
<td>$74,142.08</td>
<td>$57,481.36</td>
<td>$1,248,350.83</td>
<td>$379,036</td>
</tr>
<tr>
<td>Cash Receipts</td>
<td>$8,569.32</td>
<td>$6,749.71</td>
<td>$1,687.44</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Snack Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Operating Ratios: Example 1

Example District #1

Total Annual Revenue: $1,248,350.83

Annual Expenses:
- Food: $392,921.16
- Labor: $680,858.06
- Other: $57,481.36

Total Annual Expenses: $1,131,260.58
Operating Ratios: Example 1

Food Cost %  = $392,921 ÷ $1,248,351 = 31.5%
Labor Cost %  = $680,858 ÷ $1,248,351 = 54.5%
Other Cost %  = $57,481 ÷ $1,248,351 = 4.6%

90.6%

Did this program make a profit?
## Operating Ratios

<table>
<thead>
<tr>
<th></th>
<th>Recommended Guidelines</th>
<th>District 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Cost %</td>
<td>35-40%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Labor Cost %</td>
<td>50-55%</td>
<td>50.7%</td>
</tr>
<tr>
<td>Other Cost %</td>
<td>5-10%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Source: The Institute for Child Nutrition
Operating Ratios: Example 2

Example District #2

Total Annual Revenue: $1,003,569

Annual Expenses:
- Food $392,921
- Labor $680,858
- Other $57,481

$1,131,260
Operating Ratios: Example 2

Food Cost % = $392,921 ÷ $1,003,569 = 39%
Labor Cost % = $680,858 ÷ $1,003,569 = 68%
Other Cost % = $57,481 ÷ $1,003,569 = 6%

113%

Did this program make a profit?
## Operating Ratios: Example #2

<table>
<thead>
<tr>
<th></th>
<th>Recommended Guidelines</th>
<th>District 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food Cost %</strong></td>
<td>35-40%</td>
<td>39%</td>
</tr>
<tr>
<td><strong>Labor Cost %</strong></td>
<td>50-55%</td>
<td>68%</td>
</tr>
<tr>
<td><strong>Other Cost %</strong></td>
<td>5-10%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: The Institute for Child Nutrition
Food Cost

Food Cost % = \frac{\text{Total Food Cost}}{\text{Total Revenue}}

Factors that can affect food cost:
• Overproduction
• Portion control
• Theft
• Monitoring food costs/plate costs
Labor Cost

Labor Cost % = \[ \frac{\text{Labor Cost (Salary & Benefits)}}{\text{Total Revenue}} \]

Factors that can affect labor cost:

• Not following scheduled work time – overtime
• High wage and/or high benefit cost
• Too many labor hours (low MPWH)
The Bottom Line

- Increase participation
- Decrease expenses
- Cost out your menu
- Inventory
Meal Equivalents

• MEQ – the conversion of meals (breakfast, afterschool snack, supper) and other nonprogram food sales (a la carte) to the equivalent of one reimbursable school lunch
By converting meals & other food sales to meal equivalents, you can determine

- Meal cost
- Meals per labor hour
Meal Equivalent Conversion Formulas

1 lunch = 1 meal equivalent
3 breakfasts = 2 meal equivalents \( \frac{2}{3} = 0.67 \)
3 snacks = 1 meal equivalent \( \frac{1}{3} = 0.33 \)
1 supper = 1 meal equivalent

Nonprogram food sales =

\[
\text{revenue from nonprogram sales}
\]

\[
\text{current free lunch reimbursement + current USDA Foods value per lunch}
\]
# Example: Meal Equivalents

<table>
<thead>
<tr>
<th>Meal</th>
<th>Count</th>
<th>Conversion</th>
<th>MEQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunch</td>
<td>250</td>
<td>X</td>
<td>1</td>
</tr>
<tr>
<td>Breakfast</td>
<td>125</td>
<td>X</td>
<td>0.67</td>
</tr>
<tr>
<td>A la carte</td>
<td>$125</td>
<td>$3.37 + $0.3425</td>
<td>33.67</td>
</tr>
</tbody>
</table>

**Total:** $367.42
Meals Per Labor Hour (MPLH)
Meals Per Labor Hour (MPLH)

• Measure of productivity & efficiency
• Helps determine how many employees or scheduled hours are needed
• Calculated on actual productive labor hours

Meal Equivalents
Number of Paid Productive Labor Hours
**Meals Per Worker Hour Worksheet**

<table>
<thead>
<tr>
<th>School Name</th>
<th>District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>Year</td>
</tr>
</tbody>
</table>

- **Free Reimbursement Rate (Lunch)**
- **Enter Number of Service Days**
- **Enter Number of Student Lunches**
- **Enter Number of Student Breakfasts**
- **Enter Number of Adult Lunches**
- **Enter Number of Adult Breakfasts**
- **Enter A La Carte Dollars**

- **Average Daily Labor Hours** (excluding vacation, holiday, sick, etc.)

**Total Meals Per Worker Hour**

**Scratch Cooking Target MPWH**

<table>
<thead>
<tr>
<th>0.50</th>
<th>50</th>
<th>100</th>
<th>150</th>
<th>200</th>
<th>300-500</th>
<th>600-700</th>
<th>800-900</th>
<th>&lt;900</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.50</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

**Convenience Target MPWH**

<table>
<thead>
<tr>
<th>0.50</th>
<th>50</th>
<th>100</th>
<th>150</th>
<th>200</th>
<th>300-500</th>
<th>600-700</th>
<th>800-900</th>
<th>&lt;900</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.50</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

**Your Lunch Participation Rate Is**

**Your Breakfast Participation Rate Is**

**In Instructions**

**MPWH Tool**

www.maine.gov/doe/schools/nutrition/programs/nslp
Meals Per Labor Hour (MPLH)

Meal Equivalents
Number of Paid Productive Labor Hours

Example:

367 Meal Equivalents
24 Paid Productive Labor Hours
= 15.3 Meals Per Labor Hour
# Meals Per Labor Hour (MPLH)

<table>
<thead>
<tr>
<th>Number of Meal Equivalents</th>
<th>Meals Per Labor Hour for Low and High Productivity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conventional System</td>
<td>Convenience System</td>
</tr>
<tr>
<td></td>
<td>MPLH Low</td>
<td>MPLH High</td>
</tr>
<tr>
<td>Up to 100</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>101-150</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>151-200</td>
<td>10-11</td>
<td>12</td>
</tr>
<tr>
<td>201-250</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>251-300</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>301-400</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>401-500</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>501-600</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>601-700</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>701-800</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>800 and up</td>
<td>18</td>
<td>20</td>
</tr>
</tbody>
</table>
Meals Per Labor Hour (MPLH)

Affected by:
- size of operation,
- number of serving lines,
- type service provided,
- scheduling of lunch periods,
- production system,
- amount of convenience foods used,
- skill level of employees,
- complexity of the menu, etc.
Per Meal Costs
Per Meal Cost

Meal Cost-Food = \frac{\text{Cost of Purchased Food Used}}{\text{Total Lunches + Meal Equivalents}}

Meal Cost-Labor = \frac{\text{Labor Costs}}{\text{Total Lunches + Meal Equivalents}}

Meal Cost-Supplies = \frac{\text{Supply Costs}}{\text{Total Lunches + Meal Equivalents}}

Or use the ‘Monthly Per Meal Cost” report in NEO
Monthly Per Meal Cost By District
## Per Meal Cost

<table>
<thead>
<tr>
<th>Meal</th>
<th>Cost-Food</th>
<th>Cost-Labor</th>
<th>Cost-Other</th>
<th>Cost-Total</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunch</td>
<td>$1.17</td>
<td>$2.77</td>
<td>$0.15</td>
<td>$4.09</td>
<td></td>
</tr>
<tr>
<td>Breakfast</td>
<td>$0.77</td>
<td>$0.13</td>
<td>$0.01</td>
<td>$0.91</td>
<td></td>
</tr>
<tr>
<td>ASP</td>
<td>$0.50</td>
<td>$0.05</td>
<td>$0.00</td>
<td>$0.55</td>
<td></td>
</tr>
</tbody>
</table>
Resource

https://theicn.org/school-nutrition-programs/
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